

CITY OF FERNDALE
Whatcom County, Washington
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. The City Of Ferndale Should Improve Internal Controls Over Court Operations And Retain All Records

During our audit of the City of Ferndale Municipal Court, we noted the following weaknesses in the internal controls over cash receipts and other court operations:

Lack of Segregation of Duties:

- Cashiers have the ability to make adjustments to accounts receivable amounts for cases on file in the District Court Information System (DISCIS). This includes the ability to write off receivables entirely. The duties of cash receipting and posting adjustments to receivables should be separate. Without such separation, errors or more serious irregularities could occur and not be detected in a timely manner, if at all.
- The city's probation officer is currently responsible for establishing amounts for restitution. The judge only indicates restitution must be made. By requiring the judge to formally establish and document restitution amounts, the city decreases the likelihood that unjustified levels of restitution are set and prevents subsequent unsupported changes to restitution amounts from occurring.

Missing or Incomplete Documents:

- For 2 of 50 selected citations, the court version of citations and supporting sentencing slips could not be located. Without adequate supporting documentation, we are unable to verify all fines established by the court clerks agree with actual judgments made nor are we able to verify all moneys received by the court are deposited with the city treasurer.
- Sentencing slips are not adequately completed or signed by the judge. The completion of sentencing slips being substantially performed by court clerks results in a significantly greater risk that unauthorized changes could be made which could result in errors or irregularities occurring without being detected.
- A clear audit trail is not maintained between manual receipts and receipts input into the DISCIS computer system. Manual receipts are commonly used when the court computer system is off-line or otherwise unavailable. No log of

manual receipts is maintained and receipts are not always written in numerical order. As a result, 9 of 110 manual receipts written during 1995 could not be accounted for and we were unable to determine if the city received all fines which were paid.

Procedures:

- We noted eight delinquent citations did not have adequate action taken. The citations were not sent to the city's collection agency nor did they have warrants for arrest issued. Without requiring appropriate action be taken on past due accounts, the city significantly increases the risk that errors or other irregularities could occur and not be detected in a timely manner, if at all.
- Funds received via manual receipts are not deposited in a timely manner. Staff indicate funds were held until they could be entered into the court computer system. This delay enabled deposits to balance with fines posted to citation accounts. Holding funds for longer than 24 hours is a violation of RCW requirements and provides an opportunity for errors and other irregularities to occur without being detected in a timely manner, if at all.
- Periodic reviews of court operations and police citations are not formally documented. Management performs periodic informal cash counts in the court department and ensures all citations written are input to the DISCIS system but does not perform a review of adjustments made to account receivable amounts or verify sentences entered in DISCIS agree with appropriate supporting documentation. Performance of these additional reviews increases the likelihood that errors or irregularities will be detected in a timely manner.

Receipts Are Not Written:

- Acceptance and payments of restitution are not formally accounted for in the DISCIS system or reported on the City of Ferndale reports.

The Washington State Constitution, Article XI, Section 15, states in part:

All moneys, assessments and taxes belonging to or collected for the use of any county, city, town or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depository

In addition, RCW 43.09.240 states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the local government once every twenty-four consecutive hours.

RCW 40.14.070 also states in part:

. . . Except as otherwise provided by law, no public records shall be

destroyed . . . unless:

- (1) The records are six or more years old.
- (2) The department of origin of the records has made a satisfactory showing to the state records committee that the retention of the records for a minimum of six years is both unnecessary and uneconomical, particularly where lesser federal retention periods for records generated by the state under federal programs have been established; or
- (3) The originals of official public records less than six years old have been copied or reproduced by any photographic, photostatic, microfilm, miniature photographic, or other process approved by the state archivist which accurately reproduces or forms a durable medium for so reproducing the original.

RCW 43.09.200, Local government accounting - Uniform system of accounting, states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting . . . The accounts shall show the receipt, use, and disposition of all public property, and the income, if any derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

RCW 46.64.010 also states:

. . . Every record of traffic citations required in this section shall be audited monthly by the appropriate fiscal officer of the government agency to which the traffic enforcement agency is responsible.

The city indicated they provided additional oversight and periodic reviews of court operations but did not sufficiently address some weaknesses due to limited staff resources.

Not maintaining adequate internal controls results in a significantly greater risk that errors or irregularities could occur and not be detected in a timely manner, if at all. In addition, without maintaining an effective internal control system or maintaining court documents and reports, we were unable to verify that all moneys received by the court were deposited with the city treasurer.

We recommend the city develop adequate internal controls over court operations as follows:

- a. Only one noncashier employee should have computer access which allows adjusting receivable amounts.
- b. All restitution amounts should be established by the judge and documented in court dockets.

- c. Adequate supporting documentation should be attached and retained with all citations to support final case disposition.
- d. The judge should be held responsible for providing sufficient documentation of case dispositions. We also recommend the judge initial or sign the sentence slips to ensure authenticity.
- e. A clear audit trail should be provided between all manual receipts and the DISCIS system by: maintaining a log of manual receipt sheets, issuing receipts in numerical order, and retaining all receipt documentation.
- f. All court accounts on becoming delinquent should be properly notified and sent to a collection agency or a warrant for arrest should be obtained.
- g. Funds received should be deposited in a timely manner.
- h. Restitution transactions should be appropriately deposited with the city treasurer and recorded in city records.